

**House of Representatives
Financial Institutions and Insurance
Committee Meeting Schedule - Interim 2004**

DATE	TIME	LOCATION	COMMITTEE	SUBJECT	TYPE
September 20-21	normal time slot	Olympia	Full Committee	(1) Interstate compact for life insurance. (2) Availability and affordability of liability insurance.	Work Session
September 22	TBA	Bainbridge Island	Full Committee	Aftermarket crash parts (tour of auto body shops).	Tour
December 2-3	normal time slot	Olympia	Full Committee	Availability and affordability of liability insurance.	Work Session

Project Title: Interstate Compact for Life Insurance

Project Goal:

Study the interstate insurance compact to determine whether Washington should enact all or part of the compact.

Project Description:

The financial services marketplace has changed in recent years and continues to evolve, with banks and securities firms competing with insurers for certain types of investment products. This resulted after Congress passed the Financial Modernization Act of 1999 -- also known as the Gramm-Leach-Bliley Act, which eliminated traditional barriers to permit affiliations and integration among insurance companies, banks, and securities firms. Because banks are federally regulated, the process for approving new types of investments is much faster than the process for approving a new life insurance policy or annuity product, which requires submission and approval in all 50 states.

The National Association of Insurance Commissioners (NAIC) proposed an interstate compact whereby state insurance regulators would jointly set uniform product standards and establish a single point of filing for designated insurance products. The compact creates a central clearinghouse for insurance regulators to receive, review and quickly make decisions on insurance product filings according to the uniform standards. The compact is limited to asset-based insurance products, including annuities, life insurance, disability income, and long-term care insurance. During their 2003 annual meetings, both the National Conference of State Legislatures (NCSL) and the National Council of Insurance Legislators (NCOIL) adopted resolutions in support of the proposed interstate compact. The NAIC's goal is to have the compact approved by state legislatures in at least 30 states or in states representing 60% of the premium volume for life insurance, annuities, disability income insurance, and long-term care insurance products by year-end 2008. More than a dozen states were expected to introduce legislation in 2004 with additional states anticipating introduction in 2005.

The Committee will review the interstate insurance compact and will solicit input from the Office of the Insurance Commissioner, other states, the NCSL, NCOIL, insurers, and consumers to determine whether legislation should be proposed to enact all or part of the compact in Washington.

Number & Type of Meetings: One committee work session: September committee assembly.

Completion Date: September 2004

Staff Assigned: Carrie Tellefson

Project Title: Availability and affordability of liability insurance

Project Goal:

Determine the factors that contribute to whether liability insurance is available and affordable. Devise solutions to assist groups that are having difficulty locating and/or purchasing affordable liability insurance.

Project Description:

The Committee will conduct an in-depth examination of the liability insurance market, including the underwriting process and the rate-making process, in order to determine the factors that influence the availability and price of liability insurance. The Committee will solicit information, expert advice, and feedback from insurance-related policy organizations, consumer groups, state organizations such as the National Conference of State Legislatures (NCSL), and insurers and insurance organizations. In addition, the Committee will review the laws of other states and countries in which liability insurance is available and affordable. The Committee also will review other states that have implemented tools such as joint underwriting associations, market assistance plans, and patient compensation funds to determine how the tools are structured and whether they have been successful in providing relief in the liability insurance market. The Committee will develop various alternatives to assist groups that are unable to find liability insurance or unable to afford liability insurance.

Number & Type of Meetings: September Committee Assembly: One committee work session.
December Committee Assembly: One committee work session.

Completion Date: December 31, 2004.

Staff Assigned: Carrie Tellefson

Project Title: Aftermarket crash parts

Project Goal:

Understand the difference between "original equipment manufacturer" (OEM) parts and "aftermarket crash parts" and the auto body industry's practices regarding the use of these parts. Examine insurance industry claims practices and policies regarding the choice between OEM or aftermarket parts to determine whether legislation is needed in this area.

Project Description:

Auto body shops that repair crash-damaged vehicles have a choice of either buying new replacement parts from the original equipment manufacturer (OEM) or using "aftermarket" crash parts, produced by copying the design of the original vehicle parts. Until the mid-1980s, auto body shops could only purchase OEM parts. Since then, independent parts manufacturers have sold aftermarket replacement parts at lower cost. Some manufacturers and body shops question the quality of and fit of the aftermarket crash parts. During the 2004 Legislative Session, the Committee considered HB 2133, which specified an insurance company may not require the use of aftermarket crash parts in the repair of a vehicle for five years from the year the auto was manufactured or while the auto is under a manufacturer's warranty. HB 2133 also included an option for the car owner to waive this provision and required insurers to include a specific disclosure regarding the use of aftermarket parts. The bill did not move out of committee.

The Committee will tour auto body shops in order to gain a better understanding of the difference in quality, fit, and cost between OEM parts and aftermarket parts. The Committee will examine the practices in the auto body industry to determine the frequency with which aftermarket parts are used. The Committee will examine insurance industry practices to determine the extent to which insurers request OEM or aftermarket crash parts to be used for cost savings in an insurance claim and how this impacts insurance rates.

Number & Type of Meetings: One tour, in conjunction with September Committee Assembly.

Completion Date: December 31, 2004

Staff Assigned: Carrie Tellefson